

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ADP-00 CIAE-00 COME-00 DODE-00 FMC-04

INR-10 NSAE-00 RSC-01 CG-00 COA-02 AID-20 AGR-20

OMB-01 TRSE-00 IGA-02 PM-07 H-02 L-03 NSC-10 PA-03

PRS-01 SS-15 USIA-12 RSR-01 /137 W

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 5496

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E. O. 11652: NA

TAGS: ETRN, RP

SUBJECT: PHILIPPINE SHIPPING DISCRIMINATION ON CCC SHIPMENTS

REFS: A) STATE 95922; B) MANILA 5353; C) STATE 209276

NOVEMBER 16, 1972

1. CENTRAL BANK MEMO OF APRIL 30, 1973 IS NUMBERED MAAB NO 57. DEPT'S INTERPRETATION THAT MEMO APPLIES TO ALL CCC SHIPMENTS IS CORRECT. HOWEVER, CENTRAL BANK HAS NOT ALTERED FOREIGN SERVICE CIRCULAR NO 765 OF FEB 27, 1958, SPECIFYING ONLY GOVT SHIPMENTS AS SUBJECT TO PHILIPPINE FLAG SHIPPING REQUIREMENT. INSTEAD, IN CONVOLUTED LINE OF REASONING, CENTRAL BANK HAS DEFINED CCC CREDITS AS GOVT IMPORTS ON BASIS THAT THESE ARE COURSED THROUGH DEVELOPMENT BANK OF PHILIPPINES (DBP).

2. CENTRAL BANK LOGIC IS, OF COURSE, HIGHLY TENUOUS. DBP ROLE IS THAT OF FAVORED MIDDLEMAN WHICH EXTENDS TO PRIVATE SECTOR IMPORTERS OF CCC COMMODITIES ONE- YEAR CREDITS WHILE COUNTRY IS RECEIVING FROM CCC THREE YEAR CREDITS. DBP AND GOVT THUS RESERVE FOR THEMSELVES PRIMARY BENEFIT OF CCC CREDITS IN TRANSACTIONS WHICH IN ALL OTHER RESPECTS

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ARE PRIVATE. MOREOVER, DURING FIRST YEAR WHEN CREDIT IS OUT-
STANDING TO LOCAL IMPORTERS, IMPORTERS RATHER THAN DBP BEAR
FULL RISK OF PESO DEVALUATION RATHER THAN DBP, AND THEY ALSO PAY
ALL THE IMPORT DUTIES.

3. EMBASSY BELIEVES CENTRAL BANK MAY NOTL CONFIDENCE BY PURCHASING
AGENTS US SUPPLIERS WILL BE MORE COMPETITIVE. VERY
LITTLE HARD EVIDENCE TO DATE DUE LONG PURCHASING
CYCLE. ALSO OF INTEREST, SOME EVIDENCE JAPANESE
HEAVY EQUIPMENT SUPPLIERS DELAYING PRICE QUOTATION
DUE EXCHANGE RATE UNCERTAINTY.

3. PASS- THROUGH. EVIDENCE TO DATE VERY LIMITED.
SOME INDICATIONS US SUBSIDIARIES TENDING
REDUCE AUSTRALIAN DOLLAR PRECIS WHILE AUSTRALIAN
IMPORTERS MORE INCLINED HOLD AUSTRALIAN PRICE,
CAPTURING WINDFALL MARKUP.

4. THIRD MARKETS. IN GENERAL AUSTRALIA NOT IN
COMPETITION WITH US IN THIRD MARKETS. PRINCIPAL
EXCEPTION CERTAIN MINERALS TYPICALLY
SOLD ON US DOLLAR CONTRACT WITH PRICE NOT YET CHANGED.

5. MULTINATIONAL SOURCING. EVIDENCE TO DATE VERY
SCATTERED. ONE APPLIANCE MANUFACTURER SUBSTITUTING
US COMPONENTS FOR PREVIOUS JAPANESE SOURCE. OTHERS
BELIEVE THIS POSSIBILITY IN FUTURE. MOST CONTACTS
EXPECT LITTLE SUBSTITUTION US FOR AUSTRALIAN COMPON-
ENTS DUE TARIFF AND INVESTMENT IN EXISTING PRODUCTION
FACILITIES. ON OTHER HAND , ONE KEY BUSINESSMAN
PREDICTS SUBSTANTIAL INCREASE AMERICAN SOURCING
OF PRESENTLY AUSTRALIAN COMPONENTS. HE CITES
TIGHTENING LABOR SITUATION AND SUPPLY DIFFICULTIES
IN AUSTRALIAN FACTORIES WHICH RE- ENFORCE NEW
COST CONSIDERATIONS AND POINT AS MINIMUM TO
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SUBSTANTIAL SUPPLEMENTAL US SOURCING.

6. COMMENT: NOTWITHSTANDING MIXED AND INCONCLUSIVE
COMMENTS RECEIVED IN SURVEY, SEEMS CERTAIN RECENT
CHANGES MUST IMPROVE POSITION US PRODUCTS IN
AUSTRALIA. EVEN RETAILERS NOT PASSING THROUGH
WINDFALL MUST FIND US PRODUCTS MORE PROFITABLE VIS- A-
VIS MAJOR ALTERNATIVE SOURCES THAN PREVIOUSLY
AND REFLECT THIS IN PURCHASING. DISTINCTION BY
MANY BUSINESSMEN BETWEEN IMPROVED CHANCES
RETAINING MARKET AND OPPORTUNITY TO INCREASE
MARKET SEEMS SUBJECTIVE ONE AND IN EACH CASE
PRESUMABLY REFLECTS JUDGMENT THAT US PRODUCTS

IN BETTER POSITION FOR FUTURE, EXPECIALLY VIS- A- VIS
OTHER IMPORT SOURCES. ASIDE FROM DIFFERENTIAL
EXCHANGE RATE IMPACTS, AUSTRALIAN ECONOMY UNDER-
GOING STRONG INFLATION WITH EXPECTATION STEADY
IMPORT INCREASE PRICE IN FORESEEABLE FUTURE.
COMMERCE, SHOULD, HOWEVER, STRONGLY URGE NEED FOR
US BUSINESS INITIATIVE TO CARRY OPPORTUNITY TO
FORMER AND NEW AUSTRALIAN CUSTOMERS. US SALESMEN
NOTABLY ABSENT MANY PARTS AUSTRALIAN MARKET.
RICE

UNCLASSIFIED
NMAFVVZCZ

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